



Safe, Clean, Reliable Water Supply Act.

Official Title and Summary Prepared by the Attorney General

SAFE, CLEAN, RELIABLE WATER SUPPLY ACT.

- This act provides for a bond issue of nine hundred ninety-five million dollars (\$995,000,000) to provide funds to ensure safe drinking water, increase water supplies, clean up pollution in rivers, streams, lakes, bays, and coastal areas, protect life and property from flooding, and protect fish and wildlife and makes changes in the Water Conservation and Water Quality Bond Law of 1986 and the Clean Water and Water Reclamation Bond Law of 1988 to further these goals.
- Appropriates money from state General Fund to pay off bonds.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- General Fund cost of up to \$1.8 billion to pay off both the principal (\$995 million) and interest (\$776 million).
 - The average payment for principal and interest over 25 years would be up to \$71 million per year.
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Final Votes Cast by the Legislature on SB 900 (Proposition 204)

Assembly: Ayes 74	Senate: Ayes 33
Noes 4	Noes 4

Analysis by the Legislative Analyst

BACKGROUND

Water Quality and Supply. In past years, the state has provided funds for projects that improve water quality and supply. For example, the state has provided loans and grants to local agencies for the construction and implementation of wastewater treatment, water supply, and water conservation projects and facilities. The state has sold general obligation bonds to raise the money for these purposes. As of June 1996, all but about \$79 million of the \$2 billion authorized by previous bond acts had been spent or committed to specific projects. Project applications have been received for most of the remaining uncommitted funds.

Bay-Delta. The state also has funded the restoration and improvement of fish and wildlife habitat in the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (the Bay-Delta) and other areas, using various fund sources including general obligation bonds and the state General Fund. The Bay-Delta supplies a substantial portion of the water used in the state for domestic, industrial, agricultural, and environmental purposes. For example, water flowing through the Bay-Delta provides drinking water for about 22 million people in California and irrigates 45 percent of the fruits and vegetables produced in the United States. In addition to supplying water, the Bay-Delta provides habitat for fish and wildlife, including several endangered species, and an estimated 80 percent of the state's commercial fishery species live in or migrate through the Bay-Delta.

Increased demand for water from the Bay-Delta, combined with other factors such as pollution, degradation of fish and wildlife habitat, and deterioration of delta levees and flood control facilities, has reduced the Bay-Delta's capacity to provide reliable supplies of water and sustain fish and wildlife species.

The CALFED Bay-Delta Program is a joint state and federal effort to develop a long-term approach to restoring ecological health and improving water management in the Bay-Delta. Total capital costs for the various alternatives under consideration range from \$4 billion to \$8 billion over the next 20 to 40 years. It is anticipated that funding would come from a variety of federal, state, local, and private sources.

Flood Control. The state also provides funds to local agencies for flood control projects. The state has not previously sold general obligation bonds to fund the construction of local flood control projects or facilities. Rather, these projects have primarily been funded from the state General Fund. However, due to the state's fiscal condition in recent years, the state has been unable to pay its share of the costs of these projects. As of June 1996, the unpaid amount of the state's share of costs for local flood control was about \$158 million.

PROPOSAL

This measure authorizes the state to sell \$995 million of general obligation bonds for the purposes of restoration and improvement of the Bay-Delta;

wastewater treatment and water supply and conservation; and local flood control and prevention. General obligation bonds are backed by the state, meaning that the state is required to pay the principal and interest costs on these bonds. General Fund revenues would be used to pay these costs. General Fund revenues come primarily from the state personal and corporate income taxes and sales tax.

Figure 1 lists the purposes for which the bond money would be used. The bond money will be available for expenditure by various state agencies and for loans and grants to local agencies. The measure specifies the conditions under which the funds are available for loans, including the terms for interest and repayment of the loans.

In some instances, the measure makes the expenditure of bond funds contingent on actions by the state or federal government. For example, under the measure, funds for projects to restore the Bay-Delta ecosystem may not be spent until the state and federal governments have completed their environmental review of the projects and have entered into a cost-sharing agreement for funding those projects.

In addition to authorizing the sale of bonds, the measure requires that the repayment of loans funded under the 1988 Clean Water and Water Reclamation Bond (Proposition 83) be used to provide additional loans and grants for local water recycling projects.

FISCAL EFFECT

Costs of Paying Off the Bonds. For these types of bonds, the state typically makes principal and interest payments from the state's General Fund over a period of about 25 years. If all of the bonds authorized by this measure are sold at an interest rate of 6 percent, the cost would be about \$1.8 billion to pay off both the principal (\$995 million) and interest (\$776 million). The average payment for the principal and interest would be about \$71 million per year.

However, total debt repayment costs to the state will be somewhat less than the \$1.8 billion. First, bonds used to fund revolving loan programs (\$175 million) may have to be financed over a shorter period than is typically used for most state bonds in order to comply with federal law. Consequently, total interest costs on these bonds would be less than if the payments were made over 25 years. Second, the measure requires that loans made for construction of drainage water management and local water projects be repaid to the state General Fund. The repayments of these loans could reduce the state General Fund cost by about \$70 million over the life of the bonds.

Use of Repayments of Past Loans. The 1988 Clean Water and Water Reclamation Bond (Proposition 83) authorized up to \$40 million in loans to local agencies. Currently, repayments of these loans are used to pay off the bonds. This measure requires, instead, that the repayments be used to provide additional loans and grants for local water recycling projects. As a result, this will result in a General Fund cost of at least \$60 million to pay off the principal and interest of these bonds.

Figure 1

Proposition 204 Safe, Clean, Reliable Water Supply Act Uses of Bond Funds

(In Millions)	Amount
Bay-Delta Improvement	\$193
• Central Valley Project Improvement—fish and wildlife restoration	93
• Bay-Delta non-flow-related projects	60
• Delta levee rehabilitation and maintenance and flood protection	25
• South Delta environmental enhancement and mitigation	10
• CALFED state's share of administration	3
• Delta recreation	2
CALFED Bay-Delta Ecosystem Restoration	\$390
• Existing habitat protection and enhancement	— ^a
• Tidal, riparian, wetlands, and other habitat restoration	— ^a
• Instream flow improvements	— ^a
• Fish protection and management	— ^a
Clean Water and Water Recycling	\$235
• Wastewater treatment	110
• Water recycling and reclamation	60
• Treatment and management of agricultural drainage water	30
• Delta tributary watershed rehabilitation	15
• Seawater intrusion control	10
• Lake Tahoe water quality	10
Water Supply Reliability	\$117
• Water conservation and groundwater recharge	30
• River parkway acquisition and riparian habitat restoration	27
• Local water supply development and environmental mitigation	25
• Sacramento Valley water management and habitat protection	25
• Feasibility investigations for off-stream storage, water recycling, water transfer facilities, and desalination	10
Local Flood Control and Prevention	\$ 60
• Claims submitted by 6/30/96 for projects in specified counties	60
Total	\$995

^a Amounts not specified.

For text of Proposition 204 see page 79

Argument in Favor of Proposition 204

Safe drinking water is something most of us take for granted. But the truth is, unless we act now, California's residents, businesses and farms face a future of chronic water shortages and potentially unsafe supplies. According to the California Department of Water Resources, our water problems will only get worse, due to increasing population and a water supply system that has not kept up with our needs.

Proposition 204, the **SAFE, CLEAN, RELIABLE WATER SUPPLY ACT**, provides the foundation for a comprehensive and lasting solution to the state's water supply needs. Proposition 204 is a truly **BALANCED WATER SOLUTION THAT IS GOOD FOR OUR ECONOMY AND JOBS, GOOD FOR OUR ENVIRONMENT AND GOOD FOR ALL CALIFORNIANS.**

PROPOSITION 204 WILL BENEFIT ALL CALIFORNIANS BY:

ENSURING SAFE DRINKING WATER. Proposition 204 helps meet safe drinking water standards to protect public health.

INCREASING WATER SUPPLIES. Proposition 204 makes more water available to meet the state's growing needs through conservation, recycling and potential off-stream reservoirs and delivery systems to capture water in wet years for use during droughts.

PREVENTING WATER POLLUTION. Our streams, rivers, lakes, bays and coastal waters are threatened by pollution. Proposition 204 provides for cleanup of our precious waterways.

PROTECTING AGAINST FLOODS. Flooding threatens lives and has caused billions of dollars in property damage. Proposition 204 allows long-overdue flood protection projects to be completed.

HELPING OUR ECONOMY AND JOBS. Water is the lifeblood of California's economy. Reliable water supplies will protect existing jobs, encourage new businesses and create new jobs.

ENCOURAGING WATER CONSERVATION AND RECYCLING. Proposition 204 ensures we get the most out of our existing water supplies by encouraging conservation and recycling.

PROTECTING FISH AND WILDLIFE. Proposition 204 helps protect critical fisheries, wildlife, wetlands and other natural habitats, including the San Francisco Bay/Sacramento-San Joaquin Delta. The Bay-Delta is one of

the state's most important environmental resources and the source of drinking water for over 22 million Californians.

PROTECTING AGAINST EARTHQUAKE DAMAGE. Seismic experts believe our water delivery system is in danger from major earthquakes, which could leave residents, businesses and farms without water. Proposition 204 provides necessary repairs and improvements to the delivery system to help prevent catastrophic failures.

WE CANNOT AFFORD TO WAIT. We must invest in our water supply system to ensure safe drinking water and avoid chronic water shortages. If we do not act NOW, the cost will be far higher in the future. The last major investment in our water supply system occurred 36 years ago, in 1960.

Join a diverse group of Californians in support of Proposition 204, including:

ASSOCIATION OF CALIFORNIA WATER AGENCIES
CALIFORNIA CHAMBER OF COMMERCE
ENVIRONMENTAL DEFENSE FUND
CALIFORNIA FARM BUREAU FEDERATION
STATE BUILDING & CONSTRUCTION TRADES COUNCIL
AFL-CIO

BAY AREA ECONOMIC FORUM
SOUTHERN CALIFORNIA WATER COMMITTEE
NORTHERN CALIFORNIA WATER ASSOCIATION
CALIFORNIA BUSINESS ROUNDTABLE
COUNCIL FOR A GREEN ENVIRONMENT
PACIFIC WATER QUALITY ASSOCIATION
DELTA RESTORATION COALITION

VOTE YES FOR SAFE DRINKING WATER, YES FOR RELIABLE WATER SUPPLIES, YES FOR JOBS, YES FOR THE ENVIRONMENT AND YES FOR CALIFORNIA'S FUTURE.

YES ON PROPOSITION 204!

JIM COSTA

Chairman, Senate Agriculture and Water Resources Committee

STEPHEN HALL

Executive Director, Association of California Water Agencies

GERALD H. MERAL, Ph.D.

Scientist, Planning and Conservation League

Rebuttal to Argument in Favor of Proposition 204

We weren't aware of any water crisis until we read the proponents' argument. We suspect that these scare tactics are meant to convince you to support yet another big government public works boondoggle. Remember, using bond financing almost doubles the cost of any government project. Taxpayers can't afford Proposition 204. Let's look at the issues:

INCREASE WATER SUPPLIES—Residential customers use only 15% of California's water, but have to subsidize the agricultural and commercial customers who use 85%. If big water users had to pay the real cost of their water, prices would fluctuate according to supply and lead to conservation, as cost-effectiveness would become a major concern.

PREVENTING WATER POLLUTION—Those who pollute our rivers and lakes should be held fully responsible for the damage they do. Taxpayers should not be put on the hook for damages caused by private businesses and individuals. In cases where government officials are responsible for the pollution, we

don't need to give them a blank check to clean it up.

HELPING OUR ECONOMY AND JOBS—Reliable water supplies alone won't create jobs. We need to cut the size and scope of government, slash taxes and repeal regulations so that businesses can create new jobs.

Many of Proposition 204's provisions could cause serious damage to private property rights. Armies of bureaucrats will march through the Sacramento Delta to impose rules and regulations. Then taxpayers will have to pay \$1.7 BILLION in principal and interest over 25 years. Please vote NO.

JON PETERSEN

Treasurer, Libertarian Party of California

DENNIS SCHLUMPF

Director, Tahoe City Public Utility District

TED BROWN

Insurance Adjuster/Investigator, Pasadena

Argument Against Proposition 204

California's bond debt now approaches \$25 BILLION. Taxpayers must pay \$3 billion EVERY YEAR. Now Sacramento politicians want to add another billion. Proposition 204 is too expensive! \$995 million in bonds means a total of \$1.7 BILLION in principal and interest over 25 years. As usual, taxpayers have to pay . . . and pay . . . with no end in sight.

And just what are we paying for? Proponents claim this measure will "ensure safe drinking water . . . clean up pollution in rivers . . . protect fish and wildlife," etc. When has the government ever succeeded in doing any of these things? You are more likely to hear about government policies CAUSING unsafe water, CAUSING pollution and INJURING fish and wildlife.

When the government diverted water from Northern to Southern California, it created problems with saltwater intrusion into freshwaters. As a result, the Sacramento Delta became degraded. This new measure seeks to "protect" the very same delta. As usual, the remedy for government mistakes is to spend more of our money to correct them. These flawed government water development policies caused the selenium intrusions into the Kesterson Wildlife Refuge and Reservoir near Merced and the resulting environmental nightmare.

Proposition 204 contains a laundry list of water projects, mostly in the Sacramento Delta area. How do we know if any of these projects are worthwhile, or if they are "make-work" projects to fill the wallets of politicians and their big-money contributors? These projects should be voted on and funded at the LOCAL level, where voters have first-hand knowledge about their necessity. The rest of us lack enough information to decide intelligently.

There's also the issue of whether taxpayers all over California should have to pay for projects in one small area. Proponents

claim there is a "water crisis" and that this measure has state and national importance. They sure haven't demonstrated why. It smells like a big boondoggle to us.

The most curious part of Proposition 204 is \$390 million designated for a "Calfed Bay-Delta Ecosystem Restoration Program." A consortium of five state agencies and five federal agencies wants to create habitats, protect wetlands, introduce species management, and protect fish. We are suspicious of this program, as we are of any program that would bring together armies of bureaucrats from ten different agencies. By its very nature, the program would likely violate private property rights. Why impose strict, mostly unnecessary environmental regulations on private citizens? "Wetlands" can mean anything that bureaucrats decide it means. Homeowners have run afoul of such regulations for minor acts like filling in puddles in their backyards. Some have even gone to jail. Proposition 204's loosely defined provisions are steps toward even more bureaucratic tyranny.

We favor protecting the environment—that's why we want government bureaucrats far away from our rivers, streams and wildlife. Look at the fine print. Proposition 204 means more bureaucracy, less protection of our natural environment, and \$1.7 BILLION of our hard-earned dollars for 25 years. Please vote NO.

GAIL LIGHTFOOT

Chair, Libertarian Party of California

DENNIS SCHLUMPF

Director, Tahoe City Public Utility District

TED BROWN

Insurance Adjuster/Investigator, Pasadena

Rebuttal to Argument Against Proposition 204

Our economy, jobs and quality of life are dependent upon a safe, reliable and sufficient water supply. Proposition 204 balances the needs of the state's economy and environment to provide the foundation for a comprehensive solution to our state's water problems.

SOUND INVESTMENT. According to California State Treasurer Matt Fong, "Proposition 204's \$995 million investment in the state's water supply and delivery system is a very prudent investment to sustain and expand California's \$750 BILLION economy. This is a vital investment in our state's future."

NO TAX INCREASE. Proposition 204 does not increase taxes, it simply uses existing revenues to improve our water supply system.

STATEWIDE PROBLEM, STATEWIDE SOLUTION, STATEWIDE BENEFITS. California's water problems affect the entire state. Proposition 204 focuses on resolving critical water quality and environmental problems that impact our ability to provide safe drinking water for all Californians.

BROAD AND DIVERSE SUPPORT. Contrary to what some would have you believe, Proposition 204 is not about more government intervention. Proposition 204 was developed by a broad and diverse coalition of businesses, farmers, environmentalists and local water officials from all regions of the state concerned about SOLVING problems, not creating them.

COST EFFECTIVE. Proposition 204 is also cost effective because it generates federal matching dollars to help solve high-priority state and local water problems.

An investment in a SAFE WATER SUPPLY is an investment in our FUTURE.

VOTE YES ON PROPOSITION 204!

THOMAS S. MADDOCK

Chairman, California Chamber of Commerce Water Committee

DAVID N. KENNEDY

Director, California Department of Water Resources

SUNNE WRIGHT McPEAK

President, Bay Area Economic Forum